Regional Policy

Ref. A04073

PRIME MINISTER

Enterprise Zones

(E(81) 9 and 10)

BACKGROUND

The Committee agreed last July (E(80) 26th Meeting, Item 2) that there should initially be six Enterprise Zones (EZs) in England and one each in Scotland, Northern Ireland and Wales. Since then it has been decided to have two smaller sites rather than one large one in the Midlands, giving a total of seven for England. Of these, six have already been announced: Liverpool; Salford/Trafford; Newcastle/Gateshead; Dudley; Corby; and the Isle of Dogs. It has also been announced that there will be a Zone, at a site yet to be chosen, in the North of England.

2. On 20th January the Committee agreed that a second Enterprise Zone should not be designated in Wales for fear of generating irresistible pressure for further Zones in Scotland, Northern Ireland and North of England (E(81) 2nd Meeting).

3. In E(81) 9 the Secretary of State for the Environment recommends:-

(i) That rather than have one large EZ in the North of England there should be two smaller Zones at Hartlepool and Wakefield (the other applicants were Sheffield and Scunthorpe) - see his paragraphs 3-5 and Annex A.

(ii) That, contrary to the decision taken by E in July, there should be an EZ at Wandsworth, giving London two EZs - paragraph 6.

(iii) That in the Newcastle/Gateshead Zone only the southern part of the Team Valley Industrial Estate should be included - paragraphs 8-12 and the map attached.

4. The Secretary of State for Industry argues, in E(81) 10, that the whole of the Team Valley Industrial Estate should be included in the Newcastle/Gateshead EZ. The Chancellor of the Exchequer, in his letter of 23rd January to the Secretary of State for the Environment, argues that only half the southern part of the Team Valley Estate should be included; and that Wandsworth should not be designated; but he agrees that Hartlepool and Wakefield should be accepted.

HANDLING

5. I suggest that you divide the discussion into three parts: the proposals for the Northern Region; Wandsworth; and the dispute over the Team Valley Estate. The Secretary of State for the Environment, the Chancellor of the Exchequer and Mr. Tebbit (the Secretary of State for Industry is dealing with the BL statement and subsequent Press conferences) will wish to speak on each part.

6. The Secretaries of State for Wales and Northern Ireland and Mr. Rifkind (the Secretary of State for Scotland is speaking in a debate in the House) will wish to comment on the implications of the English proposals for them. The Secretary of State for Wales will undoubtedly point out that England was first given six Zones, then a seventh, and now the Secretary of State for the Environment is proposing two more. He may well, therefore, be tempted to try to reopen the decision against Deeside which in turn would mean that Scotland and Northern Ireland would each be looking for a further Zone.

The North of England

7. The Secretary of State for the Environment proposes two small sites rather than one large one. The main questions are:-

(i) If there is to be an additional English Zone - and two more if Wandsworth were to be accepted as well - can (and should) pressure be resisted for conceding additional sites in Wales, Scotland and Northern Ireland?

(ii) If it is acceptable to have two small sites instead of one larger one in the North of England, does the Committee agree with the choice of Hartlepool and Wakefield?

(iii) If there is to be only one site, should it be the large one at Sheffield?

Wandsworth

8. At their meeting on 22nd July the Committee specifically rejected a proposal for Wandsworth on the grounds that it might prove expensive to develop; there could be objections to it for environmental reasons; and the decision to designate two EZs in London could be criticised in other parts of the country. The Secretary of State for the Environment now proposes a small Zone at Wandsworth which he believes would mitigate the cost and environmental objections. He argues for it on the grounds of restoring the regional balance of the list.

9. The Committee may well see the regional balance argument as double-edged. If London and the North of England were now to have two each, Scotland, Wales and Northern Ireland would be almost bound to ask for like treatment. The defence that the proposed Zones are small would probably not be sufficient. You will recall that the Secretary of State for Wales was willing to designate only part of the Deeside Industrial Park if that had been acceptable to the Committee.

The Team Valley Industrial Estate

10. You will wish to refer here to the map at the back of E(81) 9. The Team Valley Industrial Estate is the separate part of the proposed Zone in Gateshead. The Secretary of State for the Environment wants to designate only the southern half; the Chancellor of the Exchequer wants to confine it to only that part of the southern half where the undeveloped land is concentrated; and the Secretary of State for Industry (E(81) 10) wants to include the whole lot including the hatched area in the northern part.

11. As explained in E(81) 10, the argument for including the whole area is that the Team Valley Industrial Estate is owned by the English Industrial Estates Corporation (EIEC). They have been directed to help finance their factory programme and to do this they want to sell land in the northern part of the Estate which they do not believe is possible if it is to be excluded from the Zone (paragraph 3 of E(81) 10). The Committee will wish to weigh these points against the counter-arguments:-

(i) The northern part of the Estate is well-developed already, so that its inclusion in an EZ would mean windfall gains for existing firms and would cost £1.4 million a year in rate compensation.

(ii) A boundary concession could lead to pressure for similar boundary revisions in the other Zones.

(iii) The designation would enhance the value of the land and so lead to higher sale receipts for the public sector EIEC, but such windfall gains have been denied to private sector estate owners outside the boundaries of EZs.

12. If the Committee rejects the inclusion of the northern part of the Team Valley Estate the question is whether the whole of the southern part should be included, as proposed by the Secretary of State for the Environment, or only some of it as proposed by the Chancellor of the Exchequer.

CONCLUSIONS

13. In the light of the discussion you will wish to record conclusions on:-

(i) The Zone, or Zones, to be designated in the North of England.

(ii) Whether Wandsworth should be designated as an EZ.

(iii) The extent to which the Team Valley Industrial Estate should be included in the Newcastle/Gateshead Zone.

RA

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23rd January, 1981